

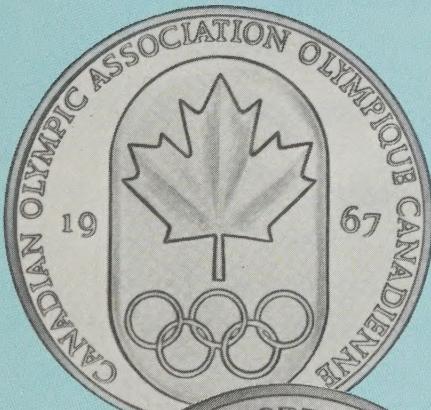
annual report 1967





Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Sher1171_1967



MEDALLIONS STRUCK IN THE
SHERRITT MINT,
FORT SASKACHEWAN

FIVE-CENT COIN STRUCK BY THE
ROYAL CANADIAN MINT ON
COINAGE BLANK PRODUCED AT
FORT SASKATCHEWAN

S
SHERRITT GORDON MINES LIMITED
ANNUAL REPORT 1967

1967 AT A GLANCE

	1967	1966
Ore milled — tons	1,071,000	1,205,000
Ore reserve — tons	11,900,000	11,400,000
Nickel sales — pounds	23,553,000	28,523,000
Fertilizer sales — tons	325,000	261,000
Revenue from sales	\$49,375,000	\$44,307,000
Operating profit	\$11,832,000	\$ 9,655,000
Net earnings	\$ 5,392,000	\$ 3,760,000
Shares outstanding	11,363,000	11,363,000
Earnings per share	47¢	33¢
Dividends per share	20¢	20¢
Working capital	\$10,468,000	\$10,257,000

ANNUAL MEETING

2:30 P.M., Tuesday, April 30, 1968
The Royal York Hotel, (Library)
Toronto, Ontario

SHERRITT GORDON MINES LIMITED

Directors

ELDON L. BROWN,	<i>Chairman of the Board</i>
W. E. P. DEROCHE,	<i>Vice-Chairman of the Board;</i> <i>Partner, Blake, Cassels & Graydon</i>
JOHN DRYBROUGH,	<i>Chairman of the Board,</i> <i>Newmont Mining Corporation of Canada Limited</i>
ALAN E. GALLIE,	<i>Vice-President, Marketing</i>
V. N. MACKIW,	<i>Vice-President</i>
PLATO MALOZEMOFF,	<i>President and Chairman of the Board,</i> <i>Newmont Mining Corporation</i>
DAVID D. THOMAS,	<i>President and Chief Executive Officer</i>
J. E. THOMPSON,	<i>Vice-President, Newmont Mining Corporation</i>
MERVYN A. UPHAM,	<i>Vice-President, Newmont Mining Corporation</i>

Officers

ELDON L. BROWN,	<i>Chairman of the Board</i>
W. E. P. DEROCHE,	<i>Vice-Chairman of the Board</i>
DAVID D. THOMAS,	<i>President and Chief Executive Officer</i>
PETER A. CAIN,	<i>Vice-President, Mining</i>
ALAN E. GALLIE,	<i>Vice-President, Marketing</i>
R. G. MACKAY,	<i>Vice-President and Secretary</i>
V. N. MACKIW,	<i>Vice-President</i>
WM. H. YOUNG,	<i>Vice-President, Metals & Chemicals</i>
BRUCE I. WATSON,	<i>Treasurer</i>
JOHN H. LEE,	<i>Assistant Secretary-Treasurer</i>

Auditors

DELOITTE, PLENDER, HASKINS & SELLS, TORONTO

Solicitors

BLAKE, CASSELS & GRAYDON, TORONTO

Transfer Agents

CANADA PERMANENT TRUST COMPANY, CANADA
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Bankers

CANADIAN IMPERIAL BANK OF COMMERCE, TORONTO
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

REPORT OF THE DIRECTORS

To the Shareholders,
Sherritt Gordon Mines Limited.

This report, including the audited financial statements for the year 1967, is submitted for your consideration.

A summary comparison of the year's operations with those of the previous year indicates that, despite sharp increases in costs, a record sales volume and higher prices for some products resulted in substantially increased earnings. Increased output of fertilizers and rolling mill products more than offset lower metal production at Lynn Lake and Fort Saskatchewan.

New all-time highs were recorded in
Revenue from sales
Operating profit
Fertilizer production and sales
Rolling mill production and sales
Special powders production and sales
Cobalt sales
Toll refining revenue.

The tonnage of ore reserves at Lynn Lake was moderately increased.

The program designed to get our Fox Mine into production in 1970 made good progress.

SALES

		1967	1966
Nickel	pounds	23,553,277	28,523,269
Copper	pounds	10,556,159	11,462,111
Cobalt	pounds	872,522	737,283
Fertilizers	tons	324,512	261,444

Sales of special powders and rolling mill products showed a marked increase over the level of the previous year. On September 15 the price of our nickel powder and briquettes was increased from 85½¢ to 98¢ U.S. per pound. Once again our nickel sales were limited by

the quantity of metal available for sale.

Despite increased productive capacity in western Canada our fertilizer sales in the domestic market were at a very satisfactory level. Anticipated off-shore export sales in the latter part of the year were delayed until 1968.

PRODUCTION

		1967	1966
Nickel	pounds	22,224,172	29,472,869
Copper	pounds	10,716,158	11,384,450
Cobalt	pounds	764,073	790,597
Fertilizers	tons	331,209	303,465
Custom nickel	pounds	2,855,353	49,172

The sharp drop in nickel production was caused by a shortage of feed at the refinery during the first three quarters of the year.

Production during the fourth quarter was at full capacity.

EARNINGS AND DIVIDENDS

	1967	1966
Revenue from sales	\$49,375,000	\$44,307,000
Operating profit	11,832,000	9,655,000
Net earnings	5,392,000	3,760,000
Earnings per share	47¢	33¢
Dividends per share	20¢	20¢

The improvement in earnings was due to a number of factors, including increased sales of rolling mill products, special powders and fertilizers, and more revenue from toll refining and patent licensing. Higher prices were realized for most products but were offset for the most part by higher costs.

LYNN LAKE OPERATIONS

A total of 1,071,490 tons of ore was mined and milled in 1967 as compared to 1,205,318 tons in 1966. The mill treated an average of 2,936 tons per calendar day as compared to 3,302 tons per day for the year 1966. The grade of the mill feed was slightly higher than the average grade of the ore reserve. Due to the lower tonnage milled, production of nickel and copper in concentrates was approximately 5% and 6% respectively below that of the previous year.

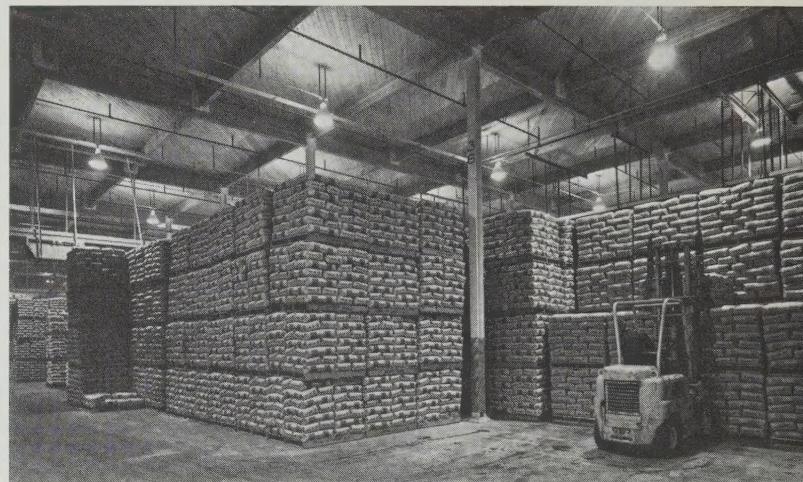
The open pit in the surface pillar of the B orebody was supplying feed to the mill throughout the fourth quarter.

The Canadian Broadcasting Corporation established a Frontier T.V. station at Lynn Lake which operates four hours per day, broadcasting from tapes.

The prospect of a road connection from

	1967	1966
Drifting and cross-cutting	16,837'	14,940'
Raising	9,921'	4,093'
Shaft sinking	—	1,159'
Underground diamond drilling	101,380'	122,985'
Surface diamond drilling	8,549'	—

Development work in the O and N zones in the south end of the A plug, above the 3,000'



BAGGED FERTILIZER STORAGE AT FORT SASKATCHEWAN

Lynn Lake to the Provincial highway system was considerably improved when the Manitoba Government let a contract for the construction of thirty miles of road out of Lynn Lake in the direction of Thompson.

Our power plants on the Laurie River operated satisfactorily throughout the year supplying a total of 59,458,000 kwh. Precipitation during the year was about normal.

With more underground labour available it was possible to do an increased amount of development work. A summary of the development work done during the year, with the corresponding figures for the previous year, is as follows:

	1967	1966
Drifting and cross-cutting	16,837'	14,940'
Raising	9,921'	4,093'
Shaft sinking	—	1,159'
Underground diamond drilling	101,380'	122,985'
Surface diamond drilling	8,549'	—

level, was quite productive. Additional low grade ore was developed in the O zone and a

good orebody with a grade equivalent to the average grade of the ore reserve was outlined in the N zone. Indications of an additional orebody in this zone were obtained and it is anticipated that further drilling will outline a substantial tonnage of new ore.

LYNN LAKE ORE RESERVES

Date of calculation
December 31, 1966
December 31, 1967

At the current rate of mining, this ore reserve represents eleven years' supply, provided costs and metal prices remain in relative balance.

OUTSIDE EXPLORATION

Our airborne geophysical outfit did sufficient flying in northern Saskatchewan to keep our ground crews busy checking anomalies throughout the field season. Nothing of economic interest was located. In addition, under a partnership arrangement with Newmont Mining Corporation of Canada Limited, our airborne outfit surveyed a large area to the north-

In order to explore the N zone below the 3,000' level a new drift was driven on that level, from which systematic drilling can be done. This program of drilling started too late to obtain any significant results by year end.

Tons	% Nickel	% Copper
11,400,000	0.84	0.47
11,900,000	0.83	0.46

east of Ilford, Manitoba. The follow-up work to this survey is the responsibility of Newmont. Nothing of interest had been located in this area by year end.

A program of surface diamond drilling was carried out at the north end of our Lynn Lake property to locate the extensions of certain gold-bearing veins from an adjoining property. The drilling was successful in picking up the veins but the metal content was too low to be economic at the present price of gold.

For a period of about six months we had two geologists examining laterite deposits in Indonesia, which is an interesting area, with



LYNN LAKE TOWNSITE — "A" PLANT IN BACKGROUND

laterite deposits scattered along a chain of islands over a length of some 1,500 miles. At the present time exploration and development in Indonesia are handicapped by the almost total lack of transportation facilities in and among the islands on which laterite deposits are located.



UNDERGROUND DRILLING AT LYNN LAKE

FOX PROPERTY

The development of the Fox Mine is predicated on bringing the mine into production in 1970, on a production scale of 3,000 tons of ore per day or 1,000,000 tons per year. A new mill will be built at the mine, and copper, zinc and probably pyrite concentrates will be produced.

Shaft sinking started at the end of March and by the end of the year the shaft had reached a depth of 1,327 feet with stations cut at 200' intervals. The original shaft contractor did not make satisfactory progress and was replaced late in the fourth quarter. Progress has been much improved since the change.

Three hundred tons of ore was mined in an open cut and transported to Lynn Lake for treatment in a pilot mill. Copper, zinc and pyrite concentrates were produced, with the pyrite concentrate being shipped to Fort Saskatchewan for experimental work. The ore is not difficult to mill, being very similar in this respect to the ore from the old mine at Sheridon.

A location survey for a transmission line from our Laurie River #2 generating station to the mine at Fox Lake was completed and

clearing of the right-of-way started before year end.

An agreement was reached with Manitoba Hydro which will ensure an ample supply of power for the Fox Mine at a reasonable cost. Under the terms of the agreement we will build the transmission line to Fox Lake and Manitoba Hydro will construct a transmission line from Thompson to our Laurie River #1 generating station, to be completed by June, 1970. Manitoba Hydro will then acquire the new transmission line from Laurie to Fox Lake at our cost of construction and we will turn over the whole of our Laurie River power system, including the two generating stations, the transmission line to Lynn Lake and the distribution system in the Town of Lynn Lake. Manitoba Hydro will then supply all the power required for the Company's operations at Lynn Lake and Fox Lake and will assume responsibility for supplying power to the residents of Lynn Lake. Due to our limited power supply residents of Lynn Lake have been restricted in their use of electric power. After Manitoba Hydro takes over there will be no limitations on the use of power by householders.

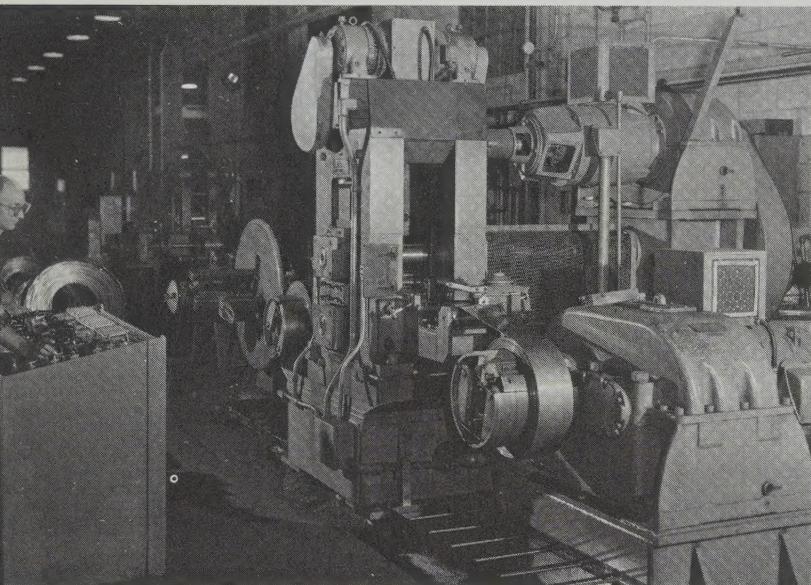
Concentrates from Fox will be trucked 18.5 miles from the mine to McVeigh, a station on the Lynn Lake railroad, some 14 miles south of Lynn Lake.

FORT SASKATCHEWAN OPERATIONS

Nickel production was 15% below that of the previous year due to a shortage of feed during the first three quarters of the year. During the fourth quarter the feed situation was much improved and excess nickel concentrate was being stockpiled. Cobalt production was about 3% below that of 1966. The metals plant operated continuously throughout the year except for the annual maintenance shutdown in July.

The rolling mill operated throughout the year producing nickel strip for coinage and for export. The coinage plant operated at a rate well below capacity for the first half of the year but at an increased rate during the latter half, following the receipt of orders from the Royal Canadian Mint for both pure nickel strip and pure nickel blanks for the new Canadian 10¢ and 25¢ pieces. In December we received a further order from the Royal Canadian Mint

for pure nickel blanks for the Canadian 5¢ piece. We also obtained an order from a foreign country for a large quantity of pure nickel coinage blanks for delivery over a three-year period.



NICKEL STRIP PRODUCTION AT FORT SASKATCHEWAN ROLLING MILL

The Sherritt Mint was kept fairly busy during the year on a number of orders for pure nickel medallions, most of them in connection with Centennial Year. In October we obtained our first order for a small quantity of pure nickel coins and in January, 1968 an order for a substantial quantity of pure nickel coins from a second country.

The fertilizer plants operated continuously throughout the year except for the annual maintenance shutdown and for a sixteen-day shutdown of the ammonia plant in September due to a breakdown of the primary reform furnace. Urea production had to be cut to 25% of capacity during this sixteen-day period when the ammonia plant was down. Total fertilizer production was 9% higher than that of the previous year. It would appear that the mechanical problems associated with our new ammonia plant have now been eliminated.

RESEARCH AND DEVELOPMENT

Two pilot plant programs, on different nickeliferous laterites, were successfully carried out with pure nickel powder as the end product. Adequate data were obtained from these pilot plant runs for the design of a 25 tons-per-day demonstration plant for the treatment of New Caledonian or Philippine laterites. Modifica-

tions to the basic process were developed for the recovery of nickel metal from garnieritic or weathered serpentine ores. This development considerably widens the field of application for our process and improves the economics.

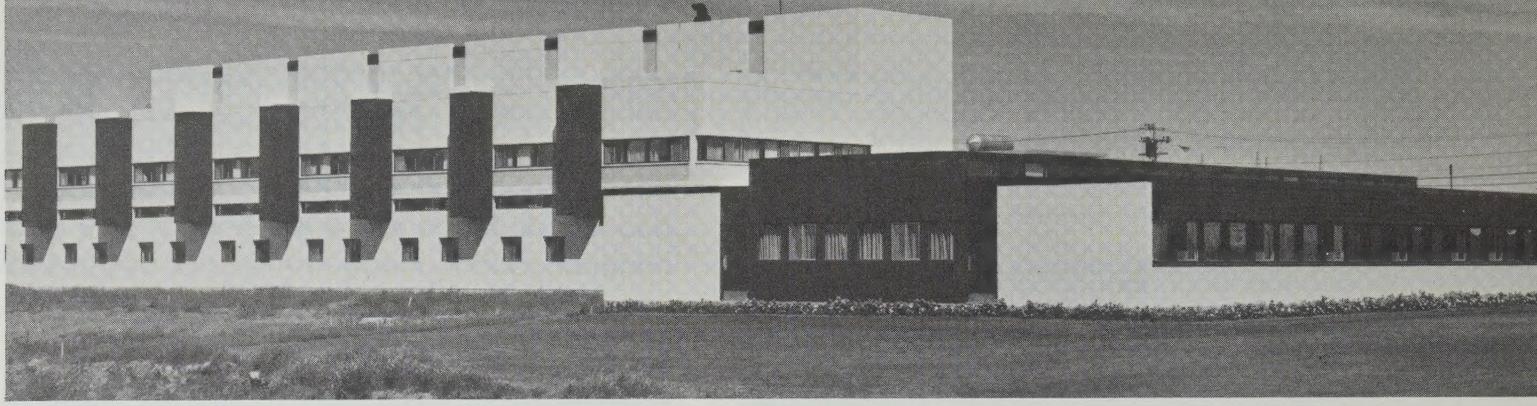
Further work was carried out on our pressure acid oxidation process for the treatment of zinc concentrate, copper concentrate and pyrite for the production of refined metals, iron and elemental sulphur. The current high price of sulphur and emphasis on pollution prevention have stimulated widespread interest in these processes.

Research on dispersion-strengthened nickel-base alloys for high temperature applications resulted in a number of important improvements in the physical characteristics of these products. This work was financially supported by Defence Research Board and United States Air Force contracts.

Outokumpu Oy's cobalt refinery in Finland started production during the second half of the year using our cobalt reduction process for the production of five tons of cobalt powder and briquettes per day.

Negotiations on an agreement between the Company and Western Mining Corporation Limited of Australia for the use of our nickel refining process in a refinery to be built in Western Australia were concluded in January of 1968. Under the terms of the agreement we provide a license for the use of our process, and assistance in the design of the plant, training of operators and the start-up of the new plant. Production is expected to start in 1970, after which the Company will receive annual revenue in the form of production royalties.

Fertilizer research was directed mainly toward improving the quality of our products and developing new fertilizer technology. The nucleus of an Agronomy Department was created which will study the effect of our new fertilizer formulations on plant growth under various soil and climatic conditions, and enable us to give better service to our customers in western Canada. Record sales of our new fertilizer "Nitro-pluS" in 1967 give an indication of the value of our research program.



SHERRITT RESEARCH CENTRE AT FORT SASKATCHEWAN

CAPITAL EXPENDITURES

The following is a summary of 1967 capital expenditures:

Lynn Lake

Improvements and additions to plant and townsite	\$ 783,000
Development of the Fox Mine	1,282,000

Fort Saskatchewan

Improvements and additions to chemical plants	609,000
Improvements and additions to metals plants and general facilities including research	297,000
Patents	35,000
	<hr/>
	3,006,000

Less capital research grant	230,000
Total	<hr/> <u>\$2,776,000</u>

PERSONNEL

At the end of the year the Company had a total of 1,652 employees as compared to 1,622 at the end of 1966. The distribution, with comparable figures for the previous year, is as follows:

	1967	1966
Lynn Lake	696	651
Fort Saskatchewan		
Metal and Chemical	783	802
Rolling mill and coinage plant	53	26
Research and Development	*63	92
Executive Office — Toronto	25	19
Marketing Division		
Metals — Toronto	15	15
Fertilizers — Edmonton	17	17

*The reduction in research personnel was partly due to the transfer of analytical personnel to the Metal and Chemical Division.

A crew from our Lynn Lake Mine won the 1967 Manitoba Provincial Mine Rescue Competition.

At Lynn Lake a three-year contract was negotiated with Local 5757, United Steelworkers of America. The contract, which runs through to March 1, 1970, provides for substantial fringe benefits and general wage increases of 11.4%, 4.6% and 5.3% of existing wage rates at the time of the agreement, effective March 1, 1967, March 1, 1968 and March 1, 1969 respectively. This agreement keeps our wage rates in line with those at Thompson.

At Fort Saskatchewan a two-year contract was negotiated with Local 530 of International Chemical Workers' Union. The contract, which runs through to May 1, 1969, provides for general wage increases of 8.4% and 6.5% of existing wage rates at the time of the agreement, effective May 1, 1967 and May 1, 1968 respectively; an additional 5¢ per hour for

qualified tradesmen and Operator 1 classifications; improvements in the paid vacation schedule and other fringe benefits.

The increase in costs to the Company of these two labour contracts will amount to \$875,000 for the first year and \$1,225,000 for the second year of the contracts.

GENERAL

The outlook for the year 1968 is generally favourable. Barring some unforeseen development, we expect the demand for nickel to remain strong throughout the year. Although we have assurance of ample feed for the refinery throughout 1968, a substantial portion will be treated on a toll basis so that our own nickel production will be no higher than that of 1967. As we have orders on hand sufficient to keep the rolling mill, coinage plant and mint operating at a high level throughout the year much of our own nickel will be used in these plants. The long drawn-out strike which cut off nearly all the copper production in the United States since July 1967 was responsible for the continued inflated price of copper. The cobalt situation is complicated by releases from the United States Government stockpile. Fortunately for us the stockpile cobalt is not of as high quality as our cobalt which puts some limitation on its use.

It is expected that the fertilizer marketing situation in western Canada in 1968 will be highly competitive; however, due to the excellent work done by our grain company outlets we anticipate holding, or even increasing, our share of the market. We should sell all the fertilizer we produce in 1968.

Negotiations for financing of our Fox Mine project in 1968 have been in progress for some months now and we hope that definite arrangements will be concluded during the first half of the year.

As I mentioned at the Annual Meeting of April 27, 1967, we have an arrangement to

work with and to provide technical assistance to Marinduque Mining and Industrial Corporation in the Philippines for the production of nickel from lateritic ores. Marinduque, using our process information, has submitted a proposal to the Philippine Government for the development of the Surigao Mineral Reservation with the establishment of a plant for the production of 50,000,000 pounds of nickel and 4,500,000 pounds of cobalt per year. At this date no decision has been announced on this proposal but we anticipate a decision shortly.

In 1967 the Company continued to claim for income tax purposes more depreciation and deferred development expenditures than it has written off in the accounts and in this way has greatly reduced the amount of income tax for the year. However, this has resulted in the elimination of all depletable income for income tax purposes for 1967 so that Canadian Shareholders will not be entitled to a depletion allowance on any dividends paid in 1968. It is anticipated that the Company will be required to pay a substantial amount of income tax on its income for 1968.

The Directors wish to express their appreciation of the loyal and efficient services rendered throughout the year by all the Company's employees.

On behalf of the Board,



Chairman.

Toronto, Ontario, March 1, 1968.

BALANCE SHEET

(with comparat

ASSETS**CURRENT**

	1967	1966
Cash	\$ 100,481	\$ 161,173
Accounts receivable — trade	6,922,380	6,921,277
— other	1,054,946	881,713
Inventory of raw materials, materials in process and finished products — finished metals sold under contract valued at net realizable value, other materials and products valued at lower of average cost and net realizable value	9,773,955	9,370,020
Operating supplies, spare parts and other materials valued at average cost	3,550,467	3,388,652
Insurance and other prepaid items	99,970	83,521
	<u>21,502,199</u>	<u>20,806,356</u>

NON-CURRENT

Housing loans due from employees	624,758	645,103
Special refundable tax	137,251	242,300
	<u>762,009</u>	<u>887,403</u>

PROPERTY, PLANT AND EQUIPMENT, at cost

Mine — Lynn Lake	18,053,069	17,401,332
Power — Laurie River (note 2)	8,614,684	8,590,068
Metal and Chemical — Fort Saskatchewan	64,620,687	64,350,512
	<u>91,288,440</u>	<u>90,341,912</u>
Less accumulated depreciation	39,545,080	35,180,594
	<u>51,743,360</u>	<u>55,161,318</u>
Mining claims less amounts written off	32,966	36,382
	<u>51,776,326</u>	<u>55,197,700</u>

DEFERRED DEVELOPMENT EXPENDITURES

Unamortized mine development and metallurgical research	<u>7,789,007</u>	<u>8,567,332</u>
---	------------------	------------------

OTHER

Deferred development — Fox Property, at cost	2,824,900	1,542,575
Investment in subsidiary and other companies at cost less amounts written off (note 3)	156,953	191,134
Patents at cost less amounts written off	731,068	803,665
	<u>3,712,921</u>	<u>2,537,374</u>
	<u>\$85,542,462</u>	<u>\$87,996,165</u>

HINES LIMITED
Corporations Act, Ontario

DECEMBER 31, 1967
(figures for 1966)

LIABILITIES

CURRENT		1967	1966
Accounts payable and accrued	\$ 6,047,947	\$ 5,204,546	
Mining royalty and income taxes payable (note 4)	6,352	4,415	
Canadian National Railways (note 5)	—	350,000	
First Mortgage Bonds (note 6)			
4¾% Sinking Fund Bonds —			
payment due May 1, 1968	(1,956,700 U.S.)	2,115,070	2,121,185
5½% Sinking Fund Bonds —			
payment due December 31, 1968	(2,500,000 U.S.)	2,702,344	1,300,875
6¾% unsecured note	—	1,463,484	
Unclaimed dividends	162,863	105,095	
	11,034,576	10,549,600	
NON-CURRENT			
6¾% unsecured note	—	1,451,250	
FIRST MORTGAGE BONDS (note 6)			
4¾% Sinking Fund Bonds	—	1,916,577	
5½% Sinking Fund Bonds			
due December 31, 1972	(14,100,000 U.S.)	15,173,454	17,863,783
	15,173,454	19,780,360	

SHAREHOLDERS' EQUITY

CAPITAL (note 7)			
Capital stock			
Authorized			
12,000,000 shares par value \$1 per share			
Issued and fully paid			
11,363,318 shares		11,363,318	11,363,318
Contributed surplus			
Net premium on sale of shares		10,538,927	10,538,927
		21,902,245	21,902,245
RETAINED EARNINGS		37,432,187	34,312,710
		59,334,432	56,214,955

Approved by the Board:

*ELDON L. BROWN, Director
 DAVID D. THOMAS, Director*

\$85,542,462

\$87,996,165

Sherritt Gordon Mines Limited

STATEMENT OF EARNINGS

for the year ended December 31, 1967 (with comparative figures for 1966)

	1967	1966
REVENUE FROM SALES	\$49,374,640	\$44,306,597
Cost of sales	35,291,035	32,229,633
GROSS PROFIT FROM SALES	<u>14,083,605</u>	<u>12,076,964</u>
Research expense	694,949	925,405
Outside exploration expense	292,944	338,187
Administrative and selling expense	<u>1,264,050</u>	<u>1,158,445</u>
	<u>2,251,943</u>	<u>2,422,037</u>
OPERATING PROFIT	<u>11,831,662</u>	<u>9,654,927</u>
Interest expense less interest income of \$213,528 (1966 — \$128,745)	1,136,190	1,341,362
Patent licensing revenue	(275,885)	(115,567)
Other non-operating charges — net	<u>195,665</u>	<u>189,970</u>
	<u>1,055,970</u>	<u>1,415,765</u>
EARNINGS BEFORE TAXES AND WRITE-OFFS	<u>10,775,692</u>	<u>8,239,162</u>
Mining royalty and income taxes (Note 4)	10,000	120,000
EARNINGS BEFORE WRITE-OFFS	<u>10,765,692</u>	<u>8,119,162</u>
Depreciation and other write-offs including amortization of intangibles of \$107,622 (1966 — \$105,573)	5,373,551	4,359,440
NET EARNINGS FOR THE YEAR	<u>\$ 5,392,141</u>	<u>\$ 3,759,722</u>
EARNINGS PER SHARE	47¢	33¢

STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1967 (with comparative figures for 1966)

	1967	1966
BALANCE AT BEGINNING OF THE YEAR	\$34,312,710	\$32,825,651
Net earnings for the year	<u>5,392,141</u>	<u>3,759,722</u>
	<u>39,704,851</u>	<u>36,585,373</u>
Dividends paid — 20¢ per share	<u>2,272,664</u>	<u>2,272,663</u>
BALANCE AT END OF THE YEAR	<u>\$37,432,187</u>	<u>\$34,312,710</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF SOURCE AND USE OF FUNDS
for the year ended December 31, 1967 (with comparative figures for 1966)

FUNDS WERE OBTAINED FROM	1967	1966
Operations for the year		
Net earnings	\$ 5,392,141	\$ 3,759,722
Depreciation and other amounts deducted in arriving at net earnings but which did not involve an outlay of funds	5,958,325	4,892,314
	<hr/>	<hr/>
Issue of 5½% First Mortgage Sinking Funds Bonds due 1972	11,350,466	8,652,036
Issue of capital stock	—	2,045,469
Special refundable tax due in 1968	109,017	—
Repayment of advances to subsidiary and other companies	43,966	—
	<hr/>	<hr/>
Decrease in working capital	11,503,449	10,751,505
	—	1,671,573
	<hr/>	<hr/>
FUNDS WERE USED FOR	\$11,503,449	\$12,423,078
Expenditures on capital and deferred assets		
Lynn Lake mine plant and development costs including power, townsite facilities and employee housing	\$ 783,092	\$ 1,307,758
Fort Saskatchewan metal and chemical plants including research facilities (less capital grant of \$230,000 in 1967)	675,339	4,089,310
Acquisition of patents	35,024	41,011
Deferred expenditures on development of Fox Property	1,282,325	980,833
	<hr/>	<hr/>
Reduction in long-term indebtedness	2,775,780	6,418,912
Dividends paid	6,244,138	3,438,944
Special refundable tax	2,272,664	2,272,663
Advances to subsidiary and other companies	—	240,000
	—	52,559
	<hr/>	<hr/>
Increase in working capital	11,292,582	12,423,078
	210,867	—
	<hr/>	<hr/>
WORKING CAPITAL	\$11,503,449	\$12,423,078
Balance at beginning of the year	\$10,256,756	\$11,928,329
Increase (decrease) during the year	210,867	(1,671,573)
Balance at end of the year	\$10,467,623	\$10,256,756
	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

Sherritt Gordon Mines Limited

NOTES TO FINANCIAL STATEMENTS

1. Conversion of Foreign Currencies. Transactions in foreign currencies have been converted into Canadian dollars at rates prevailing at the time of such transactions, except that current assets and current liabilities have been converted at the quoted rate of exchange at December 31, 1967.

2. Laurie River Power Plants. Under an Agreement entered into in 1967 with the Manitoba Hydro-Electric Board for the future supply of electric power to the Company for its mining operations at or near Fox Lake and Lynn Lake, Manitoba, the Company will relinquish the ownership of its Laurie River power generation, transmission and distribution facilities not later than June 30, 1970. Thereafter Manitoba Hydro will be responsible for supplying power to the Company for a period of 30 years at a fixed price. During the first ten years of the Agreement the Company is committed to purchase a fixed minimum amount of power. The Agreement requires the construction by the Company and by Manitoba Hydro of certain transmission lines by June 30, 1970 after which Manitoba Hydro will purchase the present Laurie River facilities for \$1 and the transmission line constructed by the Company at its cost. The undepreciated cost of the Laurie River facilities at June 30, 1970 will be approximately \$2,500,000. The Company will benefit by an adequate supply of electric power at reasonable cost for the Lynn Lake and Fox Mines and for any other development by the Company in the area.

3. Subsidiary Companies. It is the policy of the Company not to consolidate the accounts of subsidiary companies. All profits and losses of subsidiary companies have been reflected in the financial statements. In 1967 Michipicoten Iron Mines Limited, a 67% owned subsidiary, leased the Ruth and Lucy iron ore properties to The Algoma Steel Corporation, Limited under a renewable 99-year lease. The lease calls for minimum ore royalty payments for a period of 13 years from which the Company's share of the anticipated profits will be approximately \$7,000 per year for the years 1968 and 1969 and approximately \$90,000 per year for the years 1970 to 1979 inclusive. As at December 31, 1967 the investment in this subsidiary was recorded at \$1 plus the Company's share of its 1967 profits amounting to \$8,749.

4. Income Taxes. As permitted under the Income Tax Act the Company has claimed for tax purposes to December 31, 1967 approximately \$31,000,000 more

depreciation and deferred development expenditures than it has written off in the accounts. This practice has resulted in lower income taxes in this and preceding years, but it should be understood that the sum available for future deductions for income tax purposes as depreciation and deferred development write-offs is \$31,000,-000 less than would appear from the balance sheet itself.

5. Canadian National Railways. Under an Agreement with Canadian National Railways the Company is obligated to pay \$350,000 annually for a period of 20 years ending May 1, 1974 and to receive future refunds on outgoing tonnage shipped over the Lynn Lake-Sherridon line.

Agreement in principle has been reached with Canadian National to amend the present Agreement by cancelling the remaining annual payments of \$350,000 each, provided certain minimum tonnages are shipped over the line. A reduced refund will apply to concentrate tonnage shipped over the line commencing January 1, 1968. No provision has been made in the 1967 accounts for the payment of \$350,000 due May 1, 1968 under the original Agreement.

6. First Mortgage Bonds. At December 31, 1967 details of outstanding First Mortgage Bonds and Sinking Fund payments were as follows:

1968 4 3/4 % Sinking Fund Bonds		
Due May 1, 1968 . . .		\$ 1,956,700 U.S.
1972 5 1/2 % Sinking Fund Bonds		
Due Dec. 31, 1968 . . .	\$ 2,500,000 U.S.	
Due Dec. 31, 1969 to 1972 inclusive at \$3,525,000 U.S. each year		
	14,100,000 U.S.	16,600,000 U.S.

First Mortgage Bonds outstanding Dec. 31, 1967 \$18,556,700 U.S.

Under the Indenture securing the First Mortgage Bonds the Company may not make a dividend distribution which would reduce working capital below \$9,000,000.

7. Capital. There were outstanding at December 31, 1967 Share Purchase Warrants issued in 1956 to the Company's Bondholders entitling the holders to purchase 30,082 shares at a price of \$6 per share on or before May 1, 1968.

8. Remuneration of Directors and Officers. In 1967 the direct remuneration of directors and senior officers of the company was \$280,017 (1966 - \$222,000).

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SHERRITT GORDON MINES LIMITED:

We have examined the balance sheet of Sherritt Gordon Mines Limited as at December 31, 1967 and the statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1967 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario, February 15, 1968.

DELOITTE, PLENDER, HASKINS & SELLS
Chartered Accountants

Sherritt Gordon Mines Limited

TEN - YEAR RECORD 1958 - 1967

PRODUCTION

Year	Total Nickel	Metal Production — Pounds			Fertilizer Production Tons
		Toll Nickel Included	Copper	Cobalt	
1958	25,006,584	2,793,285	9,890,745	274,365	108,709
1959	25,097,375	284,645	10,341,365	314,343	117,878
1960	30,969,231	7,710,893	10,990,069	310,410	139,959
1961	26,480,386	4,474,811	11,251,881	191,043	137,761
1962	27,203,747	2,890,124	10,530,650	608,580	130,425
1963	23,930,561	2,959,379	11,977,903	607,511	166,828
1964	28,207,702	240,766	13,035,268	594,249	178,211
1965	25,790,422		12,391,743	530,137	214,281
1966	29,522,041	49,172	11,384,450	790,597	303,465
1967	25,079,525	2,855,353	10,716,158	764,073	331,209

PROFITS AND DIVIDENDS

Year	Revenue from Sales	Operating Profit	Earnings	Earnings Per Share	Dividends	Dividends Per Share
1958	20,644,641	6,916,878	3,234,041	29¢		
1959	20,156,171	5,925,593	2,370,320	21¢		
1960	24,987,704	7,806,918	3,751,835	33¢	2,833,329	25¢
1961	23,947,113	8,025,942	3,906,730	34¢	3,399,995	30¢
1962	23,646,665	5,723,158	2,048,159	18¢	1,699,998	15¢
1963	30,382,084	7,908,324	2,710,539	24¢	2,266,664	20¢
1964	35,361,286	9,566,883	5,001,611	44¢	2,266,664	20¢
1965	39,311,146	10,345,338	5,396,543	48¢	2,270,264	20¢
1966	44,306,597	9,654,927	3,759,722	33¢	2,272,663	20¢
1967	49,374,640	11,831,662	5,392,141	47¢	2,272,664	20¢

ORE PRODUCTION AND RESERVES

Year	LYNN LAKE				FOX LAKE		
	Tons Ore Milled	Tons	Ore Reserve % Nickel	% Copper	Tons	Ore Reserve % Copper	% Zinc
1958	892,423	14,600,000	0.90	0.48			
1959	988,541	14,158,000	0.96	0.54			
1960	1,151,419	14,300,000	0.92	0.53			
1961	1,219,157	14,000,000	0.92	0.54	4,600,000	1.78	2.82
1962	1,262,502	14,000,000	0.94	0.55	4,600,000	1.78	2.82
1963	1,346,192	11,916,000	0.96	0.58	4,600,000	1.78	2.82
1964	1,362,693	11,012,000	0.98	0.59	12,100,000	1.72	2.28
1965	1,363,583	12,600,000	0.84	0.49	12,269,000	1.74	2.35
1966	1,205,318	11,400,000	0.84	0.47	12,269,000	1.74	2.35
1967	1,071,490	11,900,000	0.83	0.46	12,269,000	1.74	2.35

Commencing with the year 1965 the Lynn Lake ore reserve includes an allowance for dilution.

SHERRITT GORDON MINES LIMITED

MINING AND MILLING DIVISION

LYNN LAKE, MANITOBA

PETER A. CAIN, *Vice-President, Mining — Manager*
J. C. FOLINSBEE, *Superintendent of Mines*
J. A. MACLELLAN, *Mill Superintendent*
L. H. SMITH, *Plant Superintendent*
G. D. RUTTAN, *Chief Geologist*
H. N. BOWERS, *Administration Manager*
W. F. CLARKE, *Personnel Manager*

METAL AND CHEMICAL DIVISION

FORT SASKATCHEWAN, ALBERTA

W.M. H. YOUNG, *Vice-President, Metals and Chemicals — Manager*
B. BENSON, *Manager, Metals*
H. M. BILKEY, *Manager, Chemicals*
K. O. COCKBURN, *Manager, Production Services*
J. FERGUSON, *Manager, Employee & Industrial Relations*
I. S. J. HUBERDEAU, *Manager, Administration*
R. J. LOREE, *Manager, Engineering*
WESTERN MINING CORPORATION LIMITED PROJECT
C. A. HAMES, *Manager*
T. W. BENZ, *Assistant Manager*

RESEARCH AND DEVELOPMENT DIVISION

FORT SASKATCHEWAN, ALBERTA

V. N. MACKIW, *Vice-President and Director of Research*
25 King Street West, Toronto 1, Ontario
D. J. I. EVANS, *Manager*
H. VELTMAN, *Assistant Manager*
P. T. O'KANE, *Manager, Development*

MARKETING DIVISION

25 KING STREET WEST, TORONTO 1, ONTARIO

ALAN E. GALLIE, *Vice-President, Marketing*
R. F. PEARCE, *Manager — Metallurgical Sales*
J. A. FRASER, *Manager — Fertilizer Marketing*
1 Thornton Court, Edmonton, Alberta

EXECUTIVE OFFICE

25 KING STREET WEST, TORONTO 1, ONTARIO

100%



Printed in Canada.